Governor Interns

From: Peter Barnes <PBarnes@afpm.org>
Sent: Friday, September 21, 2018 3:14 PM
To: Whitney Lipscomb
Subject: following-up from Wednesday
Attachments: 18-0831_AFPM_Onesheeter-MISSISSIPPI.pdf; AFPM GR-Outreach One Pager.pdf; rev_fact_sheet_cafe_nprm_by_the_numbers_003-tag(1).pdf; AFPM CAFE One Page Fact Sheet for State Leaders_v7.pdf; Make Cars Great Again.docx; Governors' Letter to Chao - DRAFT 3.0.docx; AFPM CAFE One Page Fact Sheet for State Leaders_v7.pdf

Whitney –

It was good to meet you on Wednesday during my visit to the Governor's Office. I appreciate your willingness to review the possibility of Governor Bryant signing a joint governors' letter regarding the proposed Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule which would update existing Corporate Average Fuel Economy ("CAFE") standards. Attached is a draft of a joint governors' letter as well as the following informational sheets:

- AFPM CAFE/SAFE Vehicles Rule Fact Sheet
- NHTSA/EPA CAFE/SAFE Vehicles Rule Fact Sheet
- AFPM US One Pager
- AFPM Mississippi One Pager

We have approached Governors from Texas and Oklahoma as well, and are working with their staffs as they review this same request. I would happy to brief you via telephone to answer any questions that you might have whenever would be most convenient for you and your schedule. Thanks again and I look forward to our discussion.

Best,

Peter

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Proposed Revision to the Federal Corporate Average Fuel Economy (CAFE) Standards

Overview

Congress originally authorized the National Highway Traffic Safety Administration (NHTSA), to carry out the Corporate Average Fuel standards (CAFE) program. Today, three different regulators — NHTSA, EPA, and the California Air Resources Board (CARB) — are responsible for implementing the federal mandate under three different laws using three different standards. EPA and NHTSA require different credits to comply with their respective standards, and the CARB program obstructs the implementation of a national standard. The SAFE Vehicles proposal solves these problems by creating one true national standard through harmonizing the NHTSA and EPA programs and denying CARB's ability to circumvent this federal program.

Problems with Current Program

- Corporate Average Fuel Economy (CAFE) standards were originally created by the Energy Policy Conservation Act of 1975 (EPCA) to curb dependence on foreign oil during the 1970s energy crisis. EPCA directed the National Highway Traffic Safety Administration (NHTSA) to set fuel economy standards for cars and light trucks, doubling passenger vehicle fuel efficiency within 10 years to 27.5 mpg.
- In 2007, Congress enacted the Energy Independence and Security Act of 2007 (EISA), which raised standards to 35 mpg by 2020.
- Under the Clean Air Act, California may receive a preemption waiver allowing CARB to establish its own GHG emissions program that is equally as stringent – or more so – than EPA's standard. In order to receive a waiver, California must prove that it needs separate standards to meet "compelling and extraordinary conditions". Waiver requests have been denied on this basis, since GHG concentrations are global and not uniquely connected to California's landscape or local conditions.
- Fourteen other states[1] have adopted CARB's program over the federal program, subjecting their markets to more stringent standards. These "Section 177" states represent approximately 35% of the domestic auto market, forcing auto manufacturers to choose whether to comply with federal standards or Sacramento bureaucrats.
- The Obama Administration resumed the CAFE rulemaking process in 2010, and for the first-time allowed EPA to regulate greenhouse gas emissions as part of a joint EPA/NHTSA rulemaking, establishing the "Phase 1" MY 2012-2016 CAFE standards. In 2012, the Obama Administration continued course and promulgated the EPA/NHTSA "Phase 2" standards for MY 2017-2025, requiring a 54.5 mpg standard by 2025. This standard is so unattainable with current technology that it's created a de facto electric vehicle mandate.
- In 2018, the Trump administration proposed revising the current CAFE standard as part of the midterm review. The current proposal allows standards to increase through 2020, but they hold the standard at the 2020 average level of 37 mpg through 2025.

The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule Proposal

- Allows existing standards to continue increasing to 37 mpg in 2020, then freezes standards through 2025.
- Creates one national standard with NHTSA and EPA being responsible for setting fuel economy and vehicle tailpipe emissions standards.
- Revokes California's authority to set its own standard because it is technologically infeasible.

Benefits of the SAFE Proposal

- Increases the affordability of new cars by reducing the ownership cost of a new vehicle by **$2,340**.
- Accelerates fleet turnover, allowing more consumers to afford cleaner, newer, and safer vehicles. With other safety factors this could **reduce highway fatalities by over 12,000 lives** over the next decade.
- Creates one national standard, removing California's ability to dictate to the other states what cars are sold there, returning consumer choice as the dominant factor deciding vehicle models, technology preferences, and features to be produced by automakers.
- Removes the government mandate to sell vehicles. Since consumers vastly prefer SUVs and trucks, auto dealers must increase prices on those cars in order to make up for their losses on subcompacts and EVs. Costly CAFE mandates are a truck tax on Americans.
- Lower costs, thousands of lives saved, and minimal impact to fuel consumption and the environment will result in a **$500 billion benefit to the U.S. economy**.

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[1] States include: California, Colorado, Connecticut, Delaware, the District of Columbia, Maine, Maryland, Massachusetts, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, Vermont, Washington

U.S. DEPARTMENT OF TRANSPORTATION & U.S. ENVIRONMENTAL PROTECTION AGENCY

FACT SHEET

MYs 2021-2026 CAFE Proposal - by the Numbers

All quantities compared to standards issued in 2012
Calculated based on "Preferred Alternative" Option in NPRM

Consumer Impacts

Increased vehicle affordability leading to increased driving of newer, safer, more efficient, and cleaner vehicles.

- **A $2,340 reduction** in overall average vehicle ownership costs for new vehicles
  - **$1,850 reduction** in the average required technology costs
  - **$490 reduction** in ownership costs for financing, insurance, and taxes
- **Over 12,000** fewer crash fatalities over the lifetimes of all vehicles built through MY 2029
  - **Up to 1,000** lives saved annually

Manufacturer Impacts

Reduced regulatory costs and burdens. Increased new vehicle sales.

- **$252.6 billion** reduction in regulatory costs through MY 2029.
- **1 million** additional new vehicle sales through MY 2029.
- **Reduction from 56% to 3%** in the percentage of hybrid vehicles needed to comply in MY 2030.
- **37.0 mpg** projected overall industry average required fuel economy in MYs 2021-2026, **compared to 46.7 mpg** projected requirement in MY 2025 under standards issued in 2012.

Overall Impacts:

Under the preferred alternative, there will be lower costs, thousands of lives saved, and minimal impact to fuel consumption and the environment.

- **Over $500 billion** reduction in societal costs over the lifetimes of vehicles through MY 2029
  - Technology costs: $252.6 billion
  - Costs attributable to additional fatalities: $77.1 billion
  - Costs attributable to additional injuries: $120.4 billion
  - Costs attributable to additional congestion and noise: $51.9 billion
- **$176 billion** in societal **net benefits**
- **2-3%** increase in daily fuel consumption
  - About **0.5 million barrels** per day increase in fuel consumption
- **Increase from 789.11 ppm to 789.76 ppm** in atmospheric CO_2 concentration in 2100
  - **3/1,000^{ths} of a degree Celsius** increase in global average temperature in 2100
  - **8/100^{ths} of a percent** increase in atmospheric CO_2 concentration in 2100
- **No noticeable** impact to net emissions of smog-forming or other "criteria" or toxic air pollutants

The American Fuel & Petrochemical Manufacturers

AFPM

The American Fuel and Petrochemical Manufacturers (AFPM) is the leading trade association representing the makers of the fuels that keep us moving and the petrochemicals that are the building blocks for modern life. Our industries make life better, safer, healthier, and most of all, possible.

Our Products

Our members **operate 117 refineries** that manufacture 96% of the refined products **made in the United States** including:

Gasoline, Diesel Fuel, Heating Oil, Jet Fuel, Lubricants

Our members **operate 230 petrochemical manufacturing facilities that produce** the building blocks for integral elements of our everyday lives such as:

Medical Equipment, Clothes, Car Seats, Mobile Devices, Football Helmets

Our Economic Impact

$600B
U.S. Economic Contributions

$121B
Federal & State Taxes Paid

$20 BILLION
Invested per year in capital projects

Our Workforce

3.1 MILLION JOBS
supported by our industries

$44k
Average salary of U.S. worker

$111k
Average salary of **refinery worker**

$93k
Average salary of **chemical worker**

AFPM
American Fuel & Petrochemical Manufacturers

MISSISSIPPI

The American Fuel and Petrochemical Manufacturers (AFPM) is the leading trade association representing the makers of the fuels that keep us moving and the petrochemicals that are the building blocks for modern life. Our industries make life better, safer, healthier, and most of all, possible, in Mississippi and our country.

Our Economic Impact

Contribution to Economy

$10.3B Mississippi Economy

$598B[1] US Economy

Federal Taxes

$319M Total From Mississippi

$66.1B[2] Total Across US

Total Employment

21.2K Mississippi Jobs

3.3M[4] US Jobs

State & Local Taxes

$342M Total In Mississippi

$54.8B[3] Total Across US

Our Workforce

Nationally, Jobs In Our Industries Earn More Than Double The Average US Worker.[5]

Refinery Worker Salary

$108K Mississippi Average

$112K[6] US Average

Chemical Worker Salary

$66K Mississippi Average

$93K[7] US Average

1. IMPLAN 2016 Data, Output ($) (Direct), NAICS 324110, 325110, & 325199 | 2. IMPLAN 2016 Data, Total Federal (Direct, Indirect, & Induced), NAICS 324110, 325110, & 325199. | 3. IMPLAN 2016 Data, Total State & Local Taxes (Direct, Indirect, & Induced), NAICS 324110, 325110, & 325199. | 4. IMPLAN 2016 Data, Total Employment (Direct, Indirect, & Induced), NAICS 324110, 325110, & 325199. | 5. $44,000 (U.S. Bureau of Labor Statistics, Oct. 2017) | 6. U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages, 2016 Annual Average for NAICS 324 | 7. U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages, 2016 Annual Average for NAICS 325.

For More Information about AFPM, Our Members, and Our Industries in Your State, Please Contact AFPM State & Local Outreach at Outreach@AFPM.org or 202.457.0480.

DRAFT LETTER TO HON. ELAINE CHAO

The Honorable Elaine L. Chao
Secretary
United States Department of Transportation
1200 New Jersey Avenue, S.E.
Washington, D.C. 20590

Dear Madam Secretary:

We welcome and vigorously support President Trump's efforts to improve and bring national uniformity to the Corporate Average Fuel Economy (CAFE) standards.

As you know, the previous administration mandated that automakers' vehicle fleets must meet fuel economy standards of 54.5 mpg by the year 2025 – just 7 years from now.

To meet those requirements, automakers would be forced to produce fleets that are 30%, or more, electric, despite overwhelming market rejection of those cars. To date, even with subsidies of more than $10,000 to predominantly wealthy buyers in some states, electric vehicles represent only about 1.5% of new cars sold, with almost half of buyers not making a repeat purchase because of the vehicles' limited range and charging times.

As automakers are forced to manufacture greater numbers of smaller and electric vehicles that consumers do not want, they will have to charge more for the light trucks, sport utility vehicles and crossovers that have long been popular with American car buyers.

As a result, according to the National Automobile Dealers Association, the mandate would raise the price of the average new car by at least $3,000 (the Obama administration's own projections acknowledge this upward pressure on auto prices but put the increase at $2,300). Whatever the precise figure, your own Department has calculated that drivers may never recover these increased costs, making the Obama CAFE standards little more than a hidden regressive tax on American families that will make consumers poorer, bureaucrats stronger and the U.S. economy weaker. In contrast to the Obama standards, your preferred approach would trim some $2,000 off the average car price.

Needless to say, artificially increasing the cost of new automobiles will force many families out of the new car market altogether, costing American jobs from the factory floor to the dealership.

The ultimate question addressed by the President is who should decide which vehicles Americans buy: American families themselves, or the government in Washington or Sacramento? In this respect, the President's initiative expands consumer choice, enabling automakers to produce fleets of vehicles that reduce greenhouse gas emissions while meeting the preferences of the marketplace, not regulators.

The President's improvements likewise make clear that no one state should be able to set the fuel standards for the entire nation. Under the previous administration, California, was allowed to do just that.

There is little consumer demand for the electric and small-sized vehicles required under the California mandates, yet because fuel economy standards apply to automakers' entire fleets and not individual models, the additional costs for producing them are shifted to all consumers, regardless of the vehicle they choose.

Across the country, drivers prefer SUVs and light trucks. As recently as 2016, those vehicles made up 63% of total vehicle sales and in many of the more rural states across the heartland, that number is even higher. As a

result of the Obama administration's mandate, buyers of larger vehicles in our states are unwittingly subsidizing the purchase of smaller and electric vehicles by motorists in California.

If Californians want more expensive electric vehicles, Californians should pay for them.

Already, the Obama CAFE standards have helped drive up the cost of a new car to an average of $35,000, a price that has forced many Americans to hold on to their older, less safe vehicles. Consequently, the average car on the highway today is 12 years old, although data from the National Highway Traffic Safety Administration shows that passengers are more likely to be killed in older vehicles than new ones. You've estimated your preferred approach could save more than 12,000 lives through 2029.

With these reform proposals, President Trump has taken meaningful steps to inject reason and consistency into mileage standards, so that our expectations for automobile technology bear a reasonable relationship to market realities.

We respectfully urge the adoption of your preferred approach.

Very truly yours,

Make Cars Great Again

The Trump administration plan for correcting fuel-economy standards.

PHOTO: ISTOCK/GETTY IMAGES

0 COMMENTS

By

Elaine L. Chao and

Andrew Wheeler

Aug. 1, 2018 8:40 p.m. ET

During a visit to Detroit last year, President Trump announced his administration would assess and correct the current vehicle fuel-economy standards, which impose significant costs on American consumers and eliminate jobs. The administration is continuing to deliver on that promise. On Thursday the Transportation Department and Environmental Protection Agency are announcing a joint proposal to update the national automobile fuel-economy and greenhouse-gas standards to give consumers greater access to safer, more affordable vehicles, while continuing to protect the environment.

The joint proposal lays out eight options for new national fuel-economy standards for model years 2021-26. All interested parties are asked to weigh in with their views. The goal is to get it right—to create one national standard that is technologically feasible and economically practicable, while promoting energy conservation, furthering other environmental goals, and preserving consumer choice. The administration's proposed option would lock in the 2020 standards until 2026, because the analysis of our agencies suggests that those standards strike the appropriate regulatory balance between vehicle improvements, environmental benefits and safety.

There are compelling reasons for a new rulemaking. The standards implemented by the previous administration raised the cost and decreased the supply of newer, safer vehicles. The government also previously failed to conduct a midterm review in the manner promised. Customers' preferences have also changed since the current standards were introduced.

The 2012 standards were designed to encourage the development and sale of electric vehicles. Today electric vehicles are only about 1.5% of new vehicles sold. Some data conclude that nearly half of consumers who purchase an electric car do not buy another because of challenges with range and recharge times. Yet to meet the previous administration's fuel-economy and greenhouse-gas standards, manufacturers would have to produce vehicle lineups that are 30% electric or more over the next seven years—far more vehicles than buyers are likely to want.

Further, the effect of the last administration's standards was to subsidize these expensive electric vehicles at the expense of affordable traditional cars and trucks. Our goal is to ensure that consumers have a variety of safe, fuel-efficient choices so they can decide for themselves which options suit them best. This includes electric vehicles, for those who want them.

Already, the standards have helped drive up the cost of new automobiles to an average of $35,000—out of reach for many American families. Compared with the preferred alternative outlined in the proposal, keeping in place the standards finalized in 2012 would add $2,340 to the cost of owning a new car and impose more than $500 billion in societal costs on the U.S. economy over the next 50 years.

Due to these increased costs, Americans are holding on to their older, less-safe vehicles longer and buying older-model vehicles. The average vehicle on the road today is 12 years old, and data from the National Highway Traffic Safety Administration shows passengers are likelier to be killed in older vehicles than newer ones. In each of the past two years, more than 37,000 lives were lost on our roads. A key goal of this rulemaking is to reduce the barriers to enabling Americans to purchase newer, safer, cleaner cars.

The EPA and the Transportation Department spent the past year gathering data and meeting with safety, environmental, and industry groups. This information was used to assess how fuel-economy requirements affect affordability, safety, jobs, pollution, the economy and our country's energy needs. In terms of greenhouse-gas emissions and climate change, the last administration admitted its requirements would have minimal impacts. None of the options outlined in this administration's proposed rule would have

more than a negligible environmental impact either. This transparent, inclusive process is critical to creating one national standard that enhances safety and affordability while protecting the environment.

Ms. Chao is transportation secretary. Mr. Wheeler is acting EPA administrator.